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FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0474
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS PRIORITY
RUEHLMC/MILLENNIUM CHALLENGE CORP PRIORITY 0091
RUEHBJ/AMEMBASSY BEIJING 5549
RUEHBY/AMEMBASSY CANBERRA 3219
RUEHLM/AMEMBASSY COLOMBO 1406
RUEHKA/AMEMBASSY DHAKA 1380
RUEHNE/AMEMBASSY NEW DELHI 2369
RUEHUL/AMEMBASSY SEOUL 5066
RUEHKO/AMEMBASSY TOKYO 2664
RUEHWL/AMEMBASSY WELLINGTON 3206
RUEHHK/AMCONSUL HONG KONG 3061
RUEHBD/AMCONSUL PERTH 1233
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHINGTON DC
RUEAWJA/DEPT OF JUSTICE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEHNSC/NSC WASHDC
RHHJJPI/USPACOM HONOLULU HI

C O N F I D E N T I A L SECTION 01 OF 02 JAKARTA 002003

SIPDIS

DEPT FOR EAP, EAP/MTS, EAP/MLS, INL
INL FOR ROESS/BARCLAY
DEPT FOR EEB/IFD/OMA
DOJ/OPDAT FOR LEHMANN/ALEXANDRE/JOHNSON
MCC FOR LONGI
SINGAPORE FOR BAKER
TREASURY FOR M.NUGENT
NSC FOR E.PHU

E.O. 12958: DECL: 10/30/2018

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SUBJECT: FORMER HEAD OF CENTRAL BANK CONVICTED IN MAJOR
CORRUPTION CASE

REF: JAKARTA 1759 AND PREVIOUS

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Classified By: Pol/C Joseph L. Novak, reasons 1.4(b+d).

¶1. (C) SUMMARY: The former head of the board of governors of Indonesia's central bank, Bank Indonesia (BI), has been convicted of corruption related to his involvement in fraud in the aftermath of the Asian Financial Crisis of 1997-98. A relative of President Yudhoyono's by marriage and other former BI governors have been officially named as suspects in the same case. President Yudhoyono has underscored that the laws against corruption must be carried out. The latest steps are another sign of the effectiveness of the independent Corruption Eradication Commission. END SUMMARY.

A KEY CONVICTION

¶2. (SBU) There has been a major win for the anti-corruption effort in Indonesia. On October 29, former Bank Indonesia (BI) Governor Burhanuddin Abdulla was sentenced to five years in prison and fined \$25,000 by the Anti-Corruption Court (ACC) for his involvement in the unlawful disbursement of approximately \$10 million in BI funds in the aftermath of the Asian Financial Crisis of 1997-98. The Corruption Eradication Commission (KPK) prosecutors had asked for an eight-year sentence and a \$50,000 fine.

¶3. (SBU) On October 27, two other BI officials were charged for their alleged involvement in the BLBI case. The former head of the BI legal bureau, Oey Hoey Tiong, and the former

head of communications, Rusli Simanjuntak, each face a six-year prison sentence and \$50,000 fine for their involvement in the unlawful disbursements. On October 29, Aulia Pohon (the father-in-law of President Yudhoyono's son) and four other former BI governors were also named by the KPK as suspects in the case.

¶4. (SBU) The former BI Governors oversaw the unlawful disbursement of Indonesian Banking Development Foundation (YPPI) funds to 52 former members of the national legislature (DPR) and five former BI officials in 2003 (see reftels). The money was given in exchange for resolving the BI liquidity support scandal, commonly known as "BLBI." The BLBI matter concerns emergency liquid credits extended by BI to commercial banks during the financial crisis, which began in 1997. Of the \$16 billion BLBI loans issued since 1997, approximately a third turned bad.

NO OFFICE OFF-LIMITS TO THE KPK

¶5. (C) No office is off-limits to the KPK. On October 29, KPK Chairman Antasari Azhar told Emboffs that the KPK was an independent body and that the announcement of Aulia Pohon (President Yudhoyono's relative by marriage) as a suspect showed that no person or office was off-limits to the KPK. The KPK had been criticized by civil society groups and anti-corruption activists for not pursuing Pohon sooner and being too selective in choosing their corruption cases.

¶6. (C) The KPK is now facing the opposite charge: that it may be spreading itself too thin. On October 17, the KPK arrested eight suspects in two separate graft cases. Two former officials at two Indonesian Consulates in Malaysia

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were charged with manipulating immigration fees and six officials at the Manpower and Transportation Ministry were charged with demanding kickbacks on labor training procurement projects. Harul Halili from the Center for Corruption Studies (PUKAT) at Gadjah Mada University in Yogyakarta told poloff that GOI procurement mechanisms were the greatest threat to the anti-corruption drive and presented the greatest opportunity for would-be corrupters.

SBY COMMITMENT TO ERADICATE CORRUPTION: A POLITICAL WIN

¶7. (C) With a well-timed statement, the President has maintained his image as a reformer. In his statement to the press, the president said that although he was personally saddened, he supported the work of the KPK and would not intervene on behalf of his relative. He elaborated that if Pohon is guilty, he must undergo due process. Commitment to reform and eradicating corruption is likely to be a campaign issue, which could help the president. The latest steps are another sign of the effectiveness of the independent Corruption Eradication Commission.

HUME